

**LEGISLATIVE SERVICES AGENCY  
OFFICE OF FISCAL AND MANAGEMENT ANALYSIS**

301 State House  
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**FISCAL IMPACT STATEMENT**

**LS 7651**

**BILL NUMBER:** HB 1697

**NOTE PREPARED:** Jan 29, 2003

**BILL AMENDED:**

**SUBJECT:** Physician Ownership of Entities.

**FIRST AUTHOR:** Rep. Crawford

**FIRST SPONSOR:**

**BILL STATUS:** As Introduced

**FUNDS AFFECTED:** X

**GENERAL  
DEDICATED  
FEDERAL**

**IMPACT:** State

**Summary of Legislation:** This bill requires the State Health Commissioner to designate a hospital as a specialty hospital or a non-specialty hospital upon issuance or renewal of a hospital's license. The bill specifies the procedure a hospital is to follow to change the hospital's designation.

The bill requires ambulatory outpatient surgical centers to report specified information to the State Department of Health. It also requires the State Department of Health to publish an annual consumer guide to ambulatory outpatient surgical centers.

The bill prohibits a physician with an ownership interest in a specialty hospital or an ambulatory outpatient surgical center from making certain patient referrals to the hospital or center.

**Effective Date:** July 1, 2003.

**Explanation of State Expenditures:** This bill has three major provisions: (1) the Department of Health is required to promulgate rules regarding specialty license designation and issue licenses accordingly; (2) the Department is required to publish an annual consumer guide to outpatient surgical centers; and (3) the bill prohibits a physician from referring a patient to an entity in which the physician or a family member of the physician has an ownership interest.

(1) **Specialty Hospital Licensure:** The State Department of Health is required to promulgate rules regarding licensure and designation of specialty hospitals. The Department currently reviews license applications for all hospitals. In 2001 there were 132 licensed acute care hospitals in the state with a total of 9,557,664 estimated outpatient visits.

If a hospital begins operating as a specialty hospital prior to Department designation as such, the hospital is subject to Department action. The Department may: deny the renewal of the hospital's license, revoke the

license, suspend the license, or impose a civil penalty not to exceed \$10,000. **Cost/Revenue:** The Department should be able to adopt rules for the specialty hospital licensure program given current staff and resources. The cost of administering the specialty hospital licensure program is unknown, however, given that the Department currently licenses hospitals in general, any additional costs to license a hospital as a specialty hospital are expected to be minimal. Revenues are contingent upon the number of hospitals found to be in violation of this provision and the amount of any penalties assessed by the Commissioner of the Department of Health.

(2) Consumer Guide to Outpatient Ambulatory Surgical Centers: The Department is required to compile data from ambulatory outpatient surgical centers and include this data in a consumer guide. This bill requires surgical centers to provide the Department data regarding financial matters, education efforts, diagnosis and surgical procedure data, and payment information. The Department shall compile this information and prepare a consumer guide to outpatient ambulatory surgical centers for public distribution.

Department staff state that this provision will require additional staff to prepare the new consumer guide to ambulatory outpatient surgical centers. Current statute states that the Department may make copies of these consumer guides available to the public at the Department's actual cost. However, distribution via the Internet as is done currently for hospital consumer guides does not allow for fee collection. **Cost:** Contingent upon administrative and legislative action.

*Ambulatory Surgical Center Background Information:* The Department currently prepares two categories of consumer guides; long-term care facility report cards and the home health agency consumer reports. Both of these guides are available on the Department website. In addition, the Department prepares the following annual reports and profiles: Ambulatory Surgical Centers Report, Home Health Agency Patient Profiles, Hospital Fiscal Reports, Hospital Services Reports, and Long-Term Care County Statistical Profile Report.

The number of outpatient ambulatory surgical centers in Indiana is increasing. There are currently 105 surgical centers in Indiana (59% were physician-owned in 2001). In 1999 there were 87 surgical centers in the state. Surgical centers perform routine surgical procedures that do not require full hospital amenities. Some surgical centers specialize in performing certain procedures. The two most common procedures performed in surgical centers in 2001 were extracapsular cataract removal (38,613 procedures) and colonoscopy (15,726 procedures). There were 367,326 procedures performed at surgical centers in 2001.

(3) Self-referral Prohibition: This bill prohibits a physician from referring a patient to a facility in which the physician or a family member have a financial interest. This portion of the bill includes a penalty provision for a physician who knowingly violates this prohibition. The physician is subject to a \$15,000 civil penalty for each service billed. In addition, the physician is subject to disciplinary action by the State Department of Health. **Revenue:** Contingent upon the number of physicians found to be in violation of this provision and the amount of any penalties assessed by the Commissioner of the Department of Health.

**Explanation of State Revenues:** See *Explanation of State Expenditures*.

**Explanation of Local Expenditures:**

**Explanation of Local Revenues:**

**State Agencies Affected:** State Department of Health.

**Local Agencies Affected:** County Hospitals.

**Information Sources:** Liz Carroll, State Department of Health, 317-233-7022; Tim Kennedy - Hall, Render, Killian, Heath, & Lyman, P.S.C., 317-633-4884; *Ambulatory Surgical Centers' Utilization Report*, Indiana 2001, State Department of Health Website; *2001 Statewide Hospital Service Report Summary*, State Department of Health Website.

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